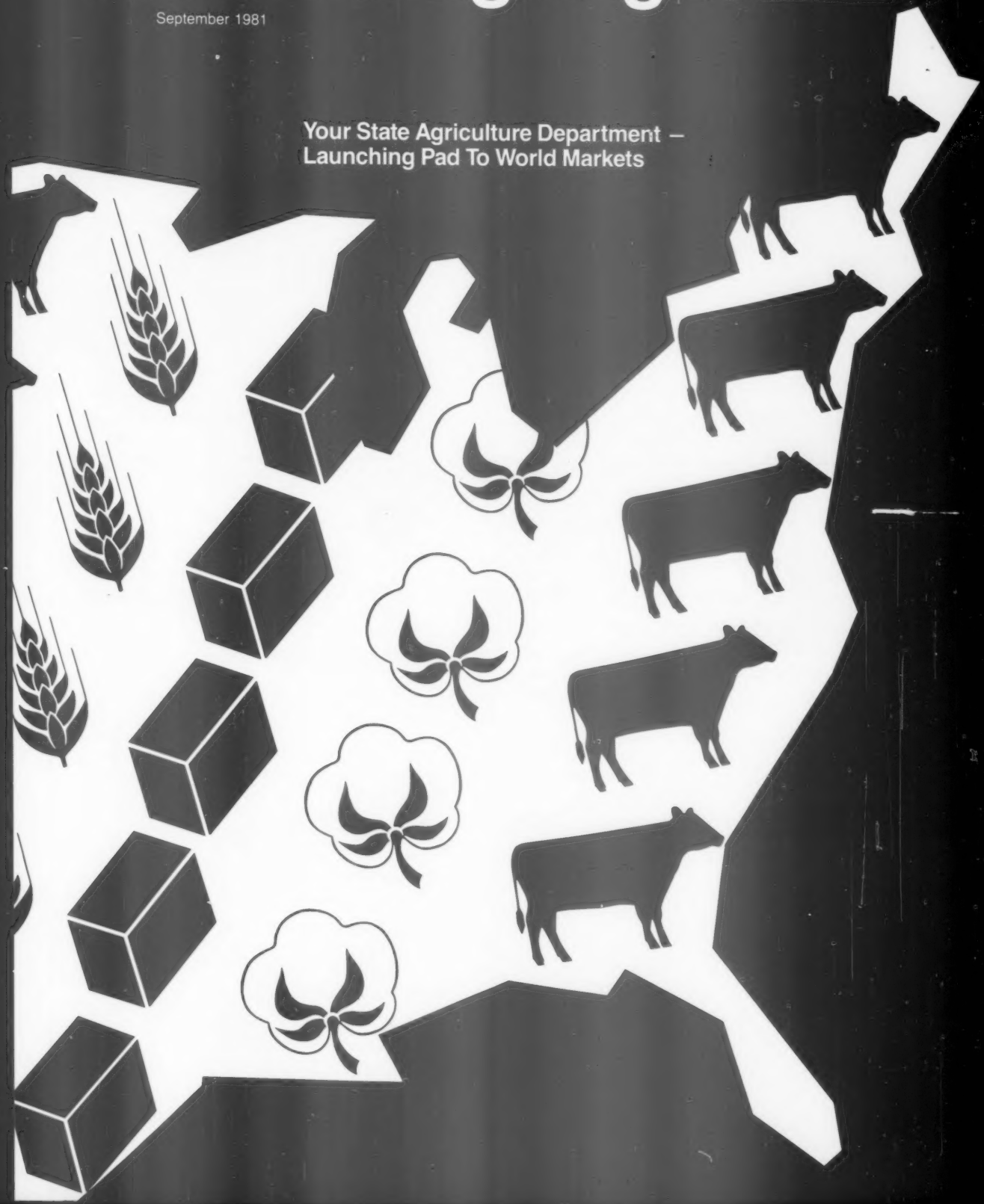
United States
Department of Agriculture

Foreign Agricultural Service

September 1981

Foreign Agriculture

Your State Agriculture Department – Launching Pad To World Markets



Commodity Update

Grain and Feed:

Estimates of Spain's drought-stricken 1981/82 grain crop have been significantly lowered as a result of increasingly hot, dry weather this summer. Output is the lowest since 1973, estimated at 12.5 million tons (excluding rice), 5.4 million tons short of the record 1980/81 harvest. The wheat crop is estimated at 4 million tons, compared with the previous estimate of 4.2 million tons and the 5.9-million-ton crop in 1980/81. Barley production has been revised downward about 1.5 million tons to 5.5 million tons versus the 8.6 million harvested in 1980/81.

Livestock and products:

World beef and veal production is expected to be relatively unchanged from the 1980 level in 1981. Lower production, expected in the EC, Australia, and Poland, will likely be offset by gains in the United States, Brazil, and several other countries.

Overall imports of beef and veal for 50 meat importing countries are expected to be up 3 percent in 1981 from the 1980 level. However, the four major beef and veal importing areas—the United States, Canada, the EC, and Japan—are expected to have a decrease of 3 percent in net beef and veal imports because of a decline in imports by the United States.

The United States, the world's largest importer of beef and veal, is expected to show a decrease in 1981 beef imports as imports under the Meat Import Law (largely fresh, chilled, and frozen beef) are expected to reach about 1.32 billion pounds this year, down 7 percent from the 1.42 billion pounds imported last year. This drop in imports results mostly from unattractive prices, which occurred partially as a result of the abundant supply of competitive meats available as substitutes for beef and a reduction in the availability of beef from Australia, the United States' largest supplier.

Beef and veal exports by the major exporting countries are expected to decline a net 2 percent in 1981. Australia will lead this decline, dropping 75,000 tons (9 percent) as a result of dry conditions, reduced cattle numbers, and weak international prices. Mexico, which expected to boost beef and veal production and to reinitiate exports to the United States, is currently importing beef carcasses from the United States.

Cotton:

Mexico's raw cotton production for 1980/81, estimated at nearly 1.6 million bales by the U.S. Agricultural Counselor in Mexico City, is now viewed as leveling off in the medium term. The most immediate reasons are a general downward trend in grower prices and a decline in domestic mill demand. In recent years, the Mexican textile industry has faced increasing domestic demand for synthetic textile products, a synthetic/cotton price ratio favorable to synthetics and declining exports of cotton textiles. In addition, **the Government's agricultural plan, designed to achieve self-sufficiency in grain production, will provide Mexican farmers with incentives to increase production** of oilseeds (not including cottonseed) at the expense of some cotton area.

Sugar:

Brazil's sugar and alcohol production plan for 1981/82 calls for the output of 8.6 million tons of sugar (raw value) and 4.3 billion liters of alcohol. This implies increases of 4.9 and 5.7 percent, respectively, over the 1980/81 goals. **Of the total sugar production, 2.38 million tons is expected to be available for export and the remainder for domestic consumption.**

Grain and feed:

Canada recently announced its preliminary estimates of area for principal field crops. All grain area estimates were above those previously indicated by the survey of producer planting intentions.

Seeded areas for 1980/81, compared with those of 1981/82 (in parentheses) are Winter wheat, 275,000 (323,000); Spring wheat, 9,567,700 (10,346,700); Durum, 1,255,000 (1,518,000); All wheat, 11,097,700 (12,187,700); Oats for grain, 1,939,700 (2,081,500); Barley, 4,837,300 (5,494,100); All rye, 309,900 (448,800); Corn for grain, 958,200 (1,053,800).

Recent favorable weather conditions in Canada suggest slightly above average yields, which would result in a total grain crop substantially above the drought-reduced crop of 40.8 million tons harvested in 1980/81.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1984. Yearly subscription rate: $14.00 domestic, $17.50 foreign, single copies $1.20. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Text of this magazine may be reprinted freely. Photographs may not be reprinted without permission. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

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State Departments of Agriculture: Key Link in the Agricultural Export Chain

State Departments of Agriculture: First Stop in Search For Export Customers

Perhaps 10,000 U.S. enterprises are engaged in the export of agricultural products. Most are relatively small—too small to maintain their own export departments or overseas sales offices. For such firms, the first stop in the search for foreign buyers may be a state department of agriculture.

The agriculture departments of most states regard assistance to exporters as basic to profitable farming and are fully prepared to perform this function. Most have marketing specialists. Many have at least one international trade specialist. All but six are associated with regional state organizations that specialize in export promotion.

Each of the departments provides a launching pad for new exporters and continuing assistance to firms already in the business. Each is an outpost of service and information for farmers, cooperatives, and smaller manufacturers interested in the growing world market for U.S. agricultural products.

Important aspects of this work are carried on in cooperation with the Foreign Agricultural Service of the U.S. Department of Agriculture. The state agriculture departments regard FAS as an immediate source of market information and overseas contacts. FAS, having no domestic field organization as do other USDA agencies and the Department of Commerce, views the state agriculture departments as a direct channel to farmers and to smaller suppliers having the potential for new or expanded export sales.

Departments of agriculture in each of the 50 states are the initial link in an export chain that reaches around the world in working to increase foreign sales of U.S. agricultural products.

Other links include the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture, various FAS market development cooperators, and individual exporting firms.

U.S. farmers—who in the not-too-distant past had little or no interest in servicing export markets—are now responding enthusiastically to the urgings of their state departments of agriculture by taking full advantage of the sales opportunity offered by these markets.

Besides agricultural departments in each state, there are others in Puerto Rico, the Virgin Islands, Guam, and American Samoa.[1] To encourage their farmer clientele to continue to look beyond the U.S. borders for a larger share of their business, the state organizations have access to a battery of data on the need for overseas sales. They point out, for example, that:

- In 1980, U.S. farm product exports totaled $40.5 billion, creating a positive agricultural trade balance of some $20.4 billion, that helped offset a $51.0 billion nonagricultural trade deficit.

- Production, movement, processing, handling, and storage of these export products in the United States provided jobs for more than 1 million people.

- Production from almost 2 out of every 5 acres of U.S. cropland (or from a total of 138 million acres) was shipped overseas.

- Agricultural exports, in effect, accounted for the combined agricultural production of Indiana, Illinois, New Jersey, New York, South Carolina, and Hawaii.

In contributing to this impressive performance, the state departments of agriculture are geared to help farmers and exporters improve their marketing techniques, particularly in the export area. Thirty-nine of the 54 jurisdictions have departments devoted exclusively to agricultural affairs. In the 15 others, agricultural functions are performed by departments that have other functions. Included in this category, for example, are the Florida Department of Agriculture and Consumer Services, Alaska's Department for the Development of Natural Resources, and the Arkansas State Plant Board.

By Marcellus P. Murphy, staff writer, Foreign Agriculture.

[1] *For convenience, all 54 agricultural units will be called state departments of agriculture.*

Some state departments of agriculture have been on the farm scene for a long time. They often were founded in one form or another after the establishment of land grant colleges, which gave agriculture new importance. These departments have gone through many changes in evolving into their current forms.

For a decade or longer, some states have used the services of staff specialists who deal directly with the export trade, while others have a single international trade specialist. Still others have established international trade sections within the department's overall structure. The hiring of international trade specialists seems to be a growing trend.

Of the 54 state departments listed in FAS' *Food and Agricultural Export Directory 1980/81,* 20 have one or more international trade specialists on their payrolls; at least four states have four.

Virginia, for example, has an International Trade Office with a director, two trade representatives, respectively responsible for Latin America and the Far East, and an international trade agent. Michigan has a Marketing and International Trade Division, also headed by a director, plus an international trade economist and two international trade specialists.

Believing that one of the best ways to service the export market is from a foreign vantage point, several state departments of agriculture have offices in important overseas markets. Some of these are staffed by full-time U.S. or local employees. Others have part-time workers. And in some instances, the foreign office handles both agricultural and commercial matters.

With the start of air shipment of cattle from important producing states directly to overseas markets, several state agriculture departments have designated officers to coordinate these shipments. Texas has a livestock export representative stationed in Austin. Missouri has opened a livestock air-export facility at the Kansas City International Airport, and Virginia has one at Norfolk.

Focusing the attention of farmers on the advantages of servicing export markets is a never ending task. To encourage new exporters to enter the field, and to provide existing exporters with the latest information, the state departments sponsor a number of seminars and workshops each year in production, marketing, finance, shipment modes, and export trends.

Crops pose differing problems, so commodity sessions are targeted to meet specific needs. For instance, an export financing workshop in Nebraska, Illinois, or North Dakota would probably be similar to a workshop in Kentucky, North Carolina, or Virginia. But the midwestern meeting would be geared to answer more questions about local crops, such as corn, while the southern meeting may focus on tobacco.

In addition to the individual programs by each state department, there are others taken in concert with other states in the same region. For example, Missouri, Illinois, Indiana, Iowa, and eight other states in the region grow similar crops and share many of the same problems and opportunities. So, following the regional groupings of the National Association of State Departments of Agriculture (NASDA)—an earlier organization of states—these states banded together in a group called the Mid-America International Agri-Trade Council (MIATCO), headquartered in Chicago. All told, 44 states and Puerto Rico have formed regional groups. These groupings are:

- Eastern U.S. Agricultural and Food Export Council, Inc. (EUSAFEC), 2 World Trade Center, Suite 5082, New York, N.Y. 10047. Tel: (212) 432-0020.

- Mid-America International Agri-Trade Council (MIATCO), 300 West Washington Street, Suite 710, Chicago, Ill. 60606. Tel: (312) 368-4448.

- Southern United States Trade Association (SUSTA), International Trade Mart, Suite 338, 2 Canal Street, New Orleans, La. 70130. Tel: (504) 568-5986/7/8.

- Western U.S. Agricultural Trade Association (WUSATA), 13101 NE Highway 99, Suite 200, Vancouver, Wash. 98665. Tel: (206) 574-2627.

EUSAFEC consists of the departments of agriculture of 10 northeastern states; MIATCO of 12 midwestern states; SUSTA of 15 southern departments of agriculture plus Puerto Rico; and WUSATA of seven western states, including Alaska and Hawaii, and American Samoa.

The national association, NASDA, is headquartered at 1616 H Street, N.W., Washington, D.C. 20006. Tel: (202) 628-1566.

Marketing specialists in each state department are also organized as the National Association of Marketing Officials (NAOMA). The Secretaries and Commissioners of the state departments sit on the boards of the regional trade groups, but the marketing officials actively carry out the cooperative program planning and execute it with FAS.

The state departments of agriculture—acting individually or together—also take part in domestic food exhibits such as the mini-exhibits for Japanese food-buying teams that have been held in key cities in each of the four regions.

Additionally, the state departments participate in FAS overseas solo exhibits and other international agricultural events. For the past 6 years, SUSTA has sponsored an exhibit of southern agricultural products for foreign buyers at New Orleans.

Active and potential exporters of U.S. agricultural products who need information are urged to write to any of the sources or to their state department of agriculture. The Export Trade Services Division, U.S. Department of Agriculture, FAS, Washington, D.C. 20250, can provide copies of the *Food and Agricultural Export Directory 1980/81,* as well as other publications. ■

How The Nation's No. 1 Farm Export State Promotes Overseas Sales

Whether working alone or as a member of the Mid-America International Agri-Trade Council (MIATCO) (the group organized to boost agricultural exports from 12 midwestern states) the Illinois Department of Agriculture (IDA) has as its aim to serve the Illinois farmer and agricultural exporter.

Illinois is representative of all 54 of the state departments of agriculture in each state and one each for Puerto Rico, the Virgin Islands, Guam, and American Samoa.

IDA efforts have helped boost Illinois' exports of farm products, which have climbed steadily, reaching $3.6 billion in fiscal 1980, a gain of nearly 25 percent from the 1979 level. In fiscal 1980, Illinois led all states in total commodity exports. It was No. 1 as an exporter of feedgrains and soybeans and their products, in sixth place for meats and products, and in tenth place for hides and skins. The state also had sizable exports of a number of other commodities, ranging from fruits and preparations to poultry products.

Jeff M. Idleman, superintendent of the Division of Marketing and Agricultural Services, stationed in Springfield, Ill., said all IDA programs are designed to meet the requirements of the state's agriculture. "Programs have been expanded in past years in response to the needs of the industry," Idleman noted, "and we are willing to change or abandon any of them if it becomes necessary to take a new direction.

"To make the most of trade leads IDA receives from overseas—through USDA's Trade Opportunity Referral Service (TORS), from our own overseas offices, and from other sources—IDA is computerizing its trade referral service," Idleman said. "The computer contains sales leads as well as a list of Illinois trading companies, along with the products they offer for export, plus a complete listing of the officers of these companies. This system enables IDA to match sales possibilities with potential suppliers in a matter of minutes.

"Also, to meet the needs of Illinois farmers and exporters, we have offices in Springfield and Chicago, and overseas in Brussels and Hong Kong. We also plan to open an office in Latin America to enable us to better promote Illinois farm products there. But the when and where are as yet undecided," he said.

"There are a number of success stories that came about through the efforts of our overseas staffs," Idleman said. "For example, Chicago's Tolona Pizzas got a foothold in Europe through the efforts of our Belgian office. The joint efforts of IDA, which recruited Tolona as an exporter, and the Brussels office, which coordinated its participation in important European expositions such as ANUGA in Germany and SIAL in France, provided a wedge that has been widened considerably.

"Now, Tolona has a plant in Liverpool, England, serving the Scandinavian countries, all markets of the European Community (EC), Saudi Arabia, and Bahrain. It also has a plant in Kyoto, Japan, serving a number of cities in that country and is studying the possibility of penetrating other Asian markets.

"Tolona's success, partly as the result of participation in IDA's exhibit program, gave the company a favorable view of the overseas market that has since been strengthened even more," Idleman said. "And, of course, IDA is ready to assist any other company in Illinois to enter into the overseas trade."

Not only does IDA go into export markets to drum up business, it also schedules events in this country to promote the overseas sales of Illinois farm commodities. One of the most recent of these was the U.S.-Japan Agricultural Trade Conference, held July 31. It was attended by Yoshio Okawara, Japanese Ambassador to the United States, U.S. Agricultural Secretary John R. Block, and representatives of Japanese trading and U.S. agritrade companies. Clayton Yeutter, president of the Chicago Mercantile Exchange, was the principal speaker.

Idleman commented that while the formal sessions of the conference were important, the informal meetings that followed between U.S. exporters and Japanese buyers were, perhaps, even more important. "It was here that strong personal contacts and, possibly some contracts, were made," he said. "One recurring theme heard throughout these talks was that of 'reliability.' The American exporters stressed their dependability as suppliers and the Japanese underlined their dependability as buyers.

"Because IDA offers such a wide variety of services to Illinois exporters and farmers, it has their strong approval," Idleman said. "Many functions of the department are made easier because of the programs conducted by these supporters. For example, a checkoff of one-half cent is made at the point of first sale of each bushel of soybeans produced in Illinois. Farmer groups collect the money and administer its spending.

"Part of these funds are used to run educational programs in Illinois and part is turned over to the American Soybean Association (an FAS cooperator) for its domestic and overseas programs. This is just one type of help IDA receives," Idleman remarked.

"IDA is continually searching for ways to improve its service to Illinois farmers and exporters," Idleman said. "That is its reason for existing." ■

State Shares of (U.S. Agriculture) Exports

Top Ten Leading States and Their Leading Export Commodities, Fiscal 1980

In million dollars

Item	United States	Leading Ten States by rank										Ten Top States	All Others
		1	2	3	4	5	6	7	8	9	10		
All commodities	40,480.5	Ill. 3,643.7	Iowa 3,270.3	Calif. 3,168.2	Texas 3,086.2	Kansas 2,214.9	Minn. 2,003.6	Neb. 1,931.7	Ind. 1,705.4	N.D. 1,457.4	Mo. 1,440.2	23,921.6	16,558.9
Feedgrains and products	9,628.1	Ill. 1,689.7	Iowa 1,627.3	Neb. 1,120.5	Ind. 779.2	Minn. 603.8	Texas 524.1	Kansas 520.7	Ohio 461.3	Mich. 287.6	Mo. 236.4	7,850.6	1,777.5
Soybeans and products	8,587.8	Ill. 1,422.6	Iowa 1,180.2	Mo. 707.2	Minn. 631.0	Ind. 603.7	Ohio 549.3	Ark. 544.9	Miss. 449.2	La. 342.3	Tenn. 266.4	6,696.9	1,890.9
Wheat and products	6,632.7	Kansas 1,230.0	N.D. 873.2	Okla. 649.2	Texas 413.6	Mont. 370.3	Wash. 360.7	Minn. 299.1	Neb. 259.8	Idaho 233.8	Colo. 211.2	4,900.9	1,731.8
Cotton, including linters	3,033.3	Texas 1,166.8	Calif. 689.4	Miss. 295.7	Ariz. 289.6	La. 140.8	Ark. 124.4	Okla. 106.0	Ala. 65.3	Tenn. 35.1	Mo. 32.4	2,945.5	87.8
Tobacco	1,348.6	N.C. 663.9	Ky. 185.1	S.C. 126.5	Va. 110.5	Ga. 108.5	Tenn. 60.0	Fla. 24.3	Conn. 23.0	Md. 17.4	Mass. 9.9	1,329.1	19.5
Fruits and preparations	1,299.7	Calif. 712.5	Fla. 284.3	Wash. 67.7	Ariz. 33.0	Texas 27.6	Mich. 26.1	N.Y. 21.9	Ore. 17.5	Hawaii 15.2	Pa. 11.9	1,217.7	82.0
Rice	1,170.2	Ark. 420.4	Calif. 288.2	Texas 201.2	La. 177.2	Miss. 71.8	Mo. 11.4	(1)	(1)	(1)	(1)	1,170.2	(1)
Hides and skins	1,115.3	Wis. 127.8	Texas 99.9	Minn. 74.4	Iowa 62.3	Neb. 52.7	Utah 51.3	Kansas 49.8	S.D. 41.2	Okla. 40.6	Ill. 37.2	637.2	478.1
Vegetables and preparations	954.2	Calif. 207.3	Wash. 129.8	Mich. 116.7	Idaho 113.0	Fla. 67.1	Neb. 40.7	Colo. 38.8	N.D. 29.0	N.Y. 27.8	Minn. 27.6	797.8	156.4
Meats and products	870.7	Iowa 95.3	Texas 88.1	Neb. 61.0	Kansas 50.7	Mo. 47.8	Ill. 41.8	Okla. 36.4	Minn. 35.9	S.D. 35.3	Colo. 29.5	521.8	348.9
Lard and tallow	784.4	Texas 100.6	Neb. 55.7	Iowa 54.2	Kansas 51.7	Okla. 41.7	Mo. 39.5	S.D. 34.3	Colo. 33.2	Calif. 32.0	Minn. 24.1	467.0	317.4
Nuts and preparations	587.2	Calif. 572.7	Ore. 7.3	Texas 2.5	Ga. 2.0	La. .8	Okla. .6	N.M. .4	Ala. .2	Wash. .2	N.C. .1	586.8	.4
Poultry and products	546.5	Ark. 70.0	Ga. 63.0	Ala. 50.2	N.C. 47.0	Calif. 38.1	Miss. 28.4	Texas 27.6	Md. 24.7	Pa. 19.8	Del. 17.7	386.5	160.0
Sunflower seeds	506.4	N.D. 318.4	Minn. 129.7	S.D. 52.4	Texas 5.9	(1)	(1)	(1)	(1)	(1)	(1)	506.4	(1)
Peanuts and peanut oil	278.8	Ga. 119.7	Ala. 42.1	Texas 36.3	N.C. 26.2	Okla. 18.9	Va. 18.1	Fla. 12.6	S.C. 2.2	N.M. 1.6	Miss. 1.1	278.8	(1)
Cottonseed oil	212.8	Texas 80.5	Calif. 51.1	Ariz. 20.6	Miss. 20.0	La. 9.5	Ark. 8.4	Okla. 7.4	Ala. 4.4	Tenn. 2.5	Mo. 2.4	206.8	6.0
Dairy products	156.3	Wis. 40.5	Minn. 28.3	Calif. 22.2	N.Y. 14.1	Iowa 11.9	Ohio 10.0	Mich. 8.0	Pa. 6.2	S.D. 4.1	Mo. 2.5	147.8	8.5

[1]Not applicable.

Fact File

State Departments of Agriculture

There are in all 50 states and Puerto Rico, the Virgin Islands, Guam, and American Samoa units devoted to the expansion of agricultural exports. Most of these are state departments of agriculture, although in a few instances they are units within a department having other responsibilities. All of these agencies offer a wide range of services to farmers and potential exporters. Interested persons are invited to contact the proper department at the addresses given below.

Alabama

Department of Agriculture and Industries
McMillan Lane, Commissioner
P.O. Box 3336
Beard Building
Montgomery, Ala. 36109
Tel: (205) 832-6693

Alaska

Development of National Resources, Division of Agriculture
Dominic L. Carney, Director
Central Plaza Building—Pouch A
Wasilla, Alaska 99687
Tel: (907) 376-3276

American Samoa

Department of Agriculture
Pemerika L. Tauiliili, Director
P.O. Box 366
Pago Pago, Amer. Samoa 96799
Tel: 633-5276 or 5277

Arizona

Office of Economic Planning and Development
James R. Carter, Director
1686 W. Adams
Phoenix, Ariz. 85007
Tel: (602) 255-4331

Arkansas

State Plant Board
Robert W. Anderson, Director
No. 1 Natural Resources Drive
P.O. Box 1069
Little Rock, Ark. 72203
Tel: (501) 371-1021

California

Department of Food and Agriculture
Richard E. Rominger, Director
1220 N Street
Sacramento, Calif. 95814
Tel: (916) 445-7126

Colorado

Department of Agriculture
Morgan Smith, Commissioner
406 State Services Building
1525 Sherman Street
Denver, Colo. 80203
Tel: (303) 839-2811

Connecticut

Department of Agriculture
Leonard E. Krogh, Commissioner
State Office Building
Hartford, Conn. 06115
Tel: (203) 566-4667

Delaware

Department of Agriculture
Donald Lynch, Secretary
P.O. Drawer D
Dover, Del. 19901
Tel: (302) 678-4811

Florida

Department of Agriculture and Consumer Services
Doyle Conner, Commissioner
State Capitol
Tallahassee, Fla. 32301
Tel: (904) 488-3022

Georgia

Department of Agriculture
Thomas T. Irvin, Commissioner
Capitol Square
Atlanta, Ga. 30334
Tel: (404) 656-3600

Guam

Department of Agriculture
Antonio S. Quitugua, Director
Government of Guam–USA
Agana, Guam 96910
Tel: (011-671) 737-2840/3941

Hawaii

Department of Agriculture
John Farias, Jr., Director of Board of Agriculture
1428 South King Street
Honolulu, Hawaii 96814
Tel: (808) 548-7101

Idaho

Department of Agriculture
Max Hanson, Director
2270 Old Penitentiary Road
P.O. Box 790
Boise, Idaho 83701
Tel: (208) 334-3521

Illinois

Department of Agriculture
Larry Werries, Director
State Fairgrounds
Springfield, Ill. 62706
Tel: (217) 782-2172

Indiana

State Department of Commerce, Indiana Division of Agriculture
John M. Mutz, Commissioner of Agriculture
440 North Meridian Street
Indianapolis, Ind. 46204
Tel: (317) 232-4545

Iowa

Department of Agriculture
Robert H. Lounsberry, Secretary
Wallace Building
Des Moines, Iowa 50319
Tel: (515) 281-5322

Kansas

Board of Agriculture
William W. Duitsman, Secretary
503 Kansas Avenue
Topeka, Kans. 66603
Tel: (913) 296-3556

Kentucky

Council on Agriculture
Tom Harris, Executive Director
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Wilkinson Boulevard
Frankfort, Ky. 40601
Tel: (502) 564-4696

Louisiana

Department of Agriculture
Robert F. Odom, Commissioner
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Baton Rouge, La. 70804
Tel: (504) 342-7011

Maine

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State Office Building
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Tel: (207) 289-3871

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Wayne A. Crawley, Jr., Secretary
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Department of Food and Agriculture
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Department of Agriculture and Commerce
Jim Buck Ross, Commissioner
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Missouri

Department of Agriculture
James B. Boillot, Director
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Jefferson City, Mo. 65102
Tel: (314) 751-3359

Montana

Department of Agriculture
W. Gordon McOmber, Director
Agricultural Livestock Building
Capitol Station
Helena, Mont. 59601
Tel: (406) 449-3144

Nebraska

Department of Agriculture
Bert Garvin, Director
301 Centennial Mall South
P.O. Box 94912
Lincoln, Nebr. 68509
Tel: (402) 471-2341

Nevada

Department of Agriculture
Thomas W. Ballow, Executive Director
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Concord, N.H. 03301
Tel: (603) 271-3551

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Department of Agriculture
Phillip Alampi, Secretary
P.O. Box 1888
Trenton, N.J. 08625
Tel: (609) 292-3976

New Mexico

Department of Agriculture
Dr. William P. Stephens, Director
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Las Cruces, N. Mex. 88003
Tel: (505) 646-3007

New York

Department of Agriculture and Markets
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EC Sheepmeat Program Gets Mixed Reaction In United Kingdom

By Beverly J. Simmons

When the European Community (EC) finally implemented its long-awaited sheepmeat program last October, it seemed that the final truce had been declared in the Anglo-French "lamb war" over British exports of lamb to France.

Within the United Kingdom, Agriculture Minister Peter Walker hailed the program as "good for the farmers and good for the British economy." But farmers and traders showed mixed emotions over the numerous compromises worked out to ensure the program's acceptance.

Only months after the new EC sheepmeat program began, tempers flared up again on both sides of the English Channel. In an effort to help U.K. exporters, Walker insisted on changing the very system he sought so hard to establish less than a year earlier. However, the new French Agricultural Minister, Edith Cresson, was determined not to give her consent.

The author is U.S. Agricultural Attache, London.

The "lamb war" flared after the French accepted imports of Irish lamb in 1977 while refusing entry to British lamb. This situation was made possible by the varying agricultural support programs for sheep farmers in the different EC member countries, including one in France based partly on border protection.

The basic aim of the new program is to support producer incomes throughout the EC and stabilize market prices. The internal side of the programs, or regime, as it is known in the EC, guarantees producer incomes through a mixture of direct payments (variable premiums) and, in some countries, intervention (guaranteed purchases) to maintain market prices. The basic income support for producers is provided through annual premiums paid on each ewe marketed.

The premium compensates producers for lost income when the market price falls below a reference price set by the EC Commission for their regions. Six producing regions are covered by the program: (1) Italy; (2) France; (3) Ireland; (4) the United Kingdom; (5) Greece; and (6) Belgium-Luxembourg, the Netherlands, Denmark, and the Federal Republic of Germany. A single Community reference price will be achieved by aligning the six regions' reference prices in equal annual steps over the next 4 years.

In addition, a member state may provide support through intervention or a variable premium on certified animals sold for slaughter. (Only animals meeting specified quality and weight standards are certified.) These are alternatives, and no member state may operate more than one of them in any given marketing year.

For the 1980/81 marketing year, the United Kingdom used the variable premium system. This is basically a defi-

ciency payment scheme, the first of its kind in the EC's Common Agricultural Policy (CAP). France used the intervention alternative. All other member countries used only the annual premium.

External arrangements with major third-country suppliers are another aspect of the program. These countries have agreed to restrict their sheepmeat exports to the Community to given levels in return for a tariff concession.

Preliminary estimates are that the new regime will cost the Community about 200 million European currency units (ECU's) in direct payments to producers each year. The United Kingdom which accounts for 40 percent of EC sheepmeat production, will be the main beneficiary, receiving approximately 80 percent, or 100 million pounds sterling (£$1.80), of the payments from Brussels.

Another feature of the regime requires that any variable premiums must be paid back (clawed back) when sheepmeat is exported. This "clawback" rule was intended to lessen the fear of New Zealand and other traditional sheepmeat exporters that subsidized EC lamb would invade world markets. In addition, the rule satisfies the French desire to prevent cheap British lamb from being imported into France "through the back door" via West Germany and Belgium.

Because the clawback provision effectively discourages almost all exports, the EC Commission, under considerable pressure from the U.K. government, has exempted U.K. sheepmeat exports to countries outside the Community from the clawback charge.

However, non-EC countries absorb only about 10 percent of U.K. exports of sheepmeat and the clawback will still be applied to exports to Community countries. British exports to the Community have slumped to less than half of their level before the marketing arrangements took effect last autumn. As a result, an estimated 40,000 to 50,000 tons of sheepmeat are on the British market that would have gone mainly to France, West Germany, and Belgium.

For the time being at least, the export avenue is closed to British producers and the only way they can sell large numbers of lambs is at low prices on the home market. The very low price of lambs will undoubtedly further depress the market for all livestock. Thus, the regime could have the long term effect of making lamb more competitive on the U.K. meat market. This development could, in turn, affect trade with the United States. If the demand for other red meats and poultry declines significantly because of competition from lamb, the demand for feedgrain imports from the United States will also decline.

U.K. imports of New Zealand lamb have also been affected. A slight decline in these imports has caused Britain to lose its place as the main customer for New Zealand lamb. For the first time this year, more New Zealand lamb will be going to the Middle East, where imports have been rising rapidly, than to Britain.

The British have argued unsuccessfully for the removal of the clawback on EC sheepmeat exports, stating that the extent of the clawback—100 percent of the variable premium—does not take account of the additional costs of transport between the United Kingdom and the Continent. In April, the EC Commission, supported by the Council of Agricultural Ministers, agreed that a solution to the clawback problem was necessary. The Commission's proposal —soundly rejected by the British— would have reduced the clawback by adjusting the producers' guaranteed price system which would in effect lower returns to farmers. The technical difficulty arises in finding ways of adjusting the clawback so that British exports can regain their share of the Continental market without upsetting the balance of the overall market support scheme.

For the time being, Britain has abandoned its recent offensive to win changes in the EC rules that would increase the profitability of U.K. lamb exports to the Continent. This decision now leaves unresolved the problem of the clawback until the next EC agricultural price-fixing round in the spring of 1982.

With the general strength of the pound sterling against other European currencies, distortion in relative price levels for sheepmeat in EC countries has become another significant deterrent to trade. All this has resulted in no more than token U.K. exports to the Continent. One West German meat importer is currently suing the EC Commission because it claims the levy imposed on sheepmeat exports to the Continent has ruined its trade in British lamb.

It is true that in the short run U.K. farmers have derived the principal initial benefit from the regime, largely because of the huge amount of money being spent domestically in the form of premiums and the increased EC prices established by the regime.

The regime has provided British sheep producers with the best guaranteed returns that they have had for years, despite the poor lamb fattening season this year that stemmed from bad weather.

In addition, this support now comes through Community agricultural funds and is no longer the sole responsibility of the U.K. Treasury. However, their long run position is not likely to be so enviable. The substantially improved prices to British farmers will encourage further expansion in British production, and the same may occur in other member states. If producers expand to take advantage of the new high prices, supporting sheep farmers will rapidly become another heavy burden on the already overstretched EC budget. ■

High Costs and Accumulated Debt Squeeze Danish Livestock Sector

By Marshall H. Cohen

Denmark's livestock sector is faced by a severe financial test as rising input costs and high interest charges on accumulated debt combine to put a number of producers—particularly young farmers—out of business. Many of the remaining operators are permitting their animal inventories to continue to fall off, but the government is pushing its market development program to help the sector keep livestock product exports at least at current levels.

The profit squeeze—caused by higher costs for inputs, such as fuel and fertilizers—is being experienced by many countries in Western Europe. But in Denmark, sharply higher interest rates on new farm borrowings add to the problem.

Inflation in Denmark averaged 12 percent in 1980. Although this level appears modest when compared with that of some countries such as Greece, Italy, and the United Kindgom—all of which experienced inflation levels near or more than 20 percent in 1980—Denmark's economy has been especially vulnerable to rapidly rising inflation, particularly since virtually all essential raw materials—including high-priced fuel—are imported.

But its high inflation level has not impinged on Denmark's determination to repay its international debts and keep its balance-of-payment shortages minimal. Consequently, one of the main aspects of Danish anti-inflationary monetary policy is to keep interest rates high—currently at a recordbreaking level of around 20 percent. At this level, inflationary spending on new investment is likely to be restrained, while capital inflows may be encouraged.

The author is an international economist, Economics Research Service, USDA.

However, these policies have hit agriculture severely, and in particular have affected young livestock farmers, especially hog producers who have invested heavily—perhaps too heavily—in farming, in response to relatively high European Community (EC) prices and subsidies. They also were influenced by relatively low interest rates and the rapid rise in the value of farmland that occurred during Denmark's EC transition period between 1973 and 1978. Now, however, in the face of the rise in input costs and a fall in the value of farmland, many are facing bankruptcy, despite assistance from the EC.

The major Danish cooperative—the Danish Bacon Factories' Export Association, a leading livestock and livestock product exporting organization—estimates a net loss to pig producers of US $9.12 per animal in 1980. Some producers have attempted to sell their farms, but the market weakened in 1980 because of extremely high mortgage interest rates, which discouraged potential buyers. In 1980, there were 600 forced auctions or liquidations in the agricultural sector, many among hog producers. The number of foreclosures is expected to reach 1,800 in 1981, extremely high by Danish standards.

Pig husbandry has required a relatively large investment in recent years and led to a trend of fewer holdings with larger average herd sizes. In 1966, 87 percent of total holdings of over one-half hectare held pigs, but by 1979 this percentage had declined to 62 percent. The average herd size during these years grew sharply from 57 head to 127 head. A growing proportion of these larger units is owned by the youngest group of farmowners.

Ironically, despite the crisis internally, the export market has remained brisk. Total pig meat exports (including those of live animals) rose 7 percent to a record 725,000 tons in 1980. However, the United Kingdom, Denmark's major pig meat market, cut its share of these exports by 3 percent to 335,000 tons in 1980, but this decline was more than offset by larger shipments to Italy, West Germany, France, and various non-EC markets.

The total value of Danish pork exports rose by nearly 16 percent in 1980 to over DKr 11 billion ($1.6 billion). Exports of canned hams to the United States, a major Danish market for this product, have fallen off in recent years, dipping to 24,400 tons in 1980, compared with a 1974-78 average of 47,000 tons. The drop reflected high prices caused by rising production costs and increased competition from Poland—as well as market uncertainty during 1980 when the U.S. International Trade Commission held hearings to determine whether or not EC restitutions on canned hams and shoulders were a factor responsible for a reduced domestic market share for U.S. producers. The Commission ruled that the imported product was different from the U.S. product, and thus no countervailing duties were imposed. (This decision could result in an upturn of Danish canned ham and shoulder exports to the U.S. market in the medium term, as well.)

Meanwhile, market prices in Denmark remain relatively weak. In late 1980, the market price for hogs in Denmark was only 82 percent of the average EC price. EC subsidies have grown during the last half of 1980, but not high enough to encourage a greater volume of exports. On the more positive side, per capita consumption of bacon and ham in the United Kingdom increased in the first quarter of 1981 (after having declined in 1980) from 3.45 to 4.20 ounces per week. Nevertheless, Danish trade to the United Kingdom has been dampened by the strengthening of the British pound against the Danish krone.

Prior to 1980, relative currency differences resulted in a subsidy on U.K. imports from Denmark (in effect the U.K. consumer paid a lower price). Now, changes in relative exchange rates have resulted in an export tax paid by the U.K. importer and ultimately passed on to the consumer via higher retail prices. These adverse factors affecting Denmark's pig husbandry are compounded by the ongoing problems of high interest rates and high energy costs.

Thus, the growth in Denmark's hog numbers—demonstrated during 1979 and 1980—will decline in 1981 and continue to drop in 1982. Hog inventories—10.1 million in June 1980—fell to 9.7 million by April 1981, and are likely to average around 9.6 million for all of 1981.

The decline in cattle numbers largely relates to cost factors which have outpaced dairy price increases. Producer prices for both milk (4.2 percent fat), and cheese (ex-dairy) rose by 9 percent, while butter (ex-dairy) rose by 7 percent in 1979/80, compared with those of the previous year. Since input costs such as fertilizer and fuel rose by 17 and 64 percent, respectively, in 1979/80, investment in cattle husbandry has been brought to a standstill.

Denmark has not contributed to the EC dairy surplus in recent years, and as a result Danish farmers have been highly critical of the EC-wide general coresponsibility levy charged on all milk production. In 1980, the Danish coresponsibility levy on milk (a fee on net dairy receipts paid for market promotion) was $1.2 million, down from $2.5 million in 1979. The Danes are not opposed to the concept of coresponsibility levies per se, but believe that any producer tax on surplus production should be paid only by those producers contributing to the surplus. The Danes, however, are firmly opposed to EC quotas on dairy output.

Total cattle numbers in Denmark have followed a longrun decline, although there was a slight increase in animals during Denmark's 1973-78 EC transition period, followed by a decline since 1978. In 1980, there were 2,958,000 head of cattle in Denmark (June census). Forecasts for 1981 indicate a slight decline to approximately 2,900,000.

Poultry producers were also affected by the cost/price squeeze and total fowl inventories in December 1980 were down by about 250,000 birds from the 1979 total to 14.7 million. Large flocks are a common feature of broiler operations, and in 1979 more than 50 percent of production came from only 56 such holdings, each with more than 50,000 broilers. (There were 2,799 broiler holdings in Denmark in 1979.) However, hens are largely held on medium-sized holdings.

Exports of poultry meat fell in 1980 to 47,000 tons from 52,000 in 1979, largely because of lower takings in the EC—principally by West Germany and the United Kingdom. However, Danish export organizations are attempting to diversify poultry markets and have found steady markets in the Middle East, the Far East, and—to a lesser extent—the Soviet Union. The production outlook for the poultry sector in the medium term is for relative stability.

Agricultural exports are the lifeblood of the Danish agricultural sector, and play a highly important role in the aggregate economy. Agricultural exports—at $4.9 billion—were about 30 percent of the export total in 1980 (including canned meat, seeds, and other processed products), and normally account for one-half to two-thirds of farm production. Consequently, the Danes are increasing their promotional activities to boost exports of agricultural products. Such efforts are budgeted at about $26 million in 1981 (slightly above the 1980 total but 14 percent higher than in 1979). These funds are generated via production fees charged mainly on livestock products and a transfer of part of the country land tax revenues. Promotional activity is mostly handled by the Agricultural Marketing Board, a private farm organization which works in close association with exporters.

Calendar 1981 Government appropriations for foreign market development include higher expenditures to promote cheese, bacon, and pork sales. However, additional Government funds—about $31 million in 1981—are available for export promotion in which agriculture shares. These funds are administered by the Export Promotion Council, an arm of the Ministry of Industry and Trade. A large part of Denmark's promotion effort is aimed at West Germany (for poultry, pork, butter, cheese), the United Kingdom (bacon, butter, cheese), Italy (cheese and beef), and increased emphasis has been given to the Middle and Far East in recent years. Export promotional activities have had a healthy payoff in the past, particularly within EC markets, although third-country markets have increased in importance for such products as pork, poultry, and cheese.

Denmark's farmers are aware that membership in the EC—with its well-defined blanket of import protection—has not immunized the Danish livestock sector from rising costs, but they were pleased with their relatively high (11.5 percent) average price increase agreed to by the Council of Ministers in April 1981—the largest such increase enacted since Denmark joined the EC. (This price increase applies only to Denmark, and is adjusted for the 3-percent devaluation of the Danish green krone in April 1981.) However, unless such essential costs as fuel, feed, and fertilizer are abated, livestock producers canot expand production in the short run, particularly if inflation and high interest rates remain at toxic levels. ■

Australia Eying Sugar Scheme For Ord River Irrigation Area

By Lynn A. Austin

Australia, the world's No. 2 sugar exporter after Cuba, is going to increase production if financial and marketing problems can be worked out.

Queensland and New South Wales, currently the only two Australian states producing sugarcane in commercial volumes, may ultimately be joined by West Australia if capital can be found to establish the new, multimillion-dollar sugar industry envisaged for West Australia's Ord River irrigation region[1].

[1]Information about the Ord River sugar project was provided by Brice K. Meeker, U.S. Agricultural Counselor, Canberra.

The author is an agricultural economist, Economics Research Service, USDA.

West Australia has prepared a prospectus to invite investors to participate in the project. The final cost figure suggests sufficient Australian development funds are not now available, and outside investment is required, but it is understood that much of the cost would be underwritten by the government, particularly expenses for the infrastructure. The major investment required by industry would be to pay for milling facilities.

Government agriculturists have estimated that the Ord River region could eventually produce the equivalent of one-third the current national sugar outturn—estimated at 3.7 million tons in 1981/82—with sugarcane yields in the region twice as large as in Queensland, presently the most important sugar-producing state. The West Australian government is now examining the possibility of establishing sugarcane production on a basic area of 10,000 hectares. With all infrastructure units in place—including a sugar mill, transport, and port-handling facilities—total cost would come to between $50 million and $100 million—and this sum may be difficult to find.

The 10,000-hectare basic unit would have the potential to produce about 150,000 tons of sugar a year, which is small when set against present production. But it has been calculated that an additional 70,000 hectares could easily be added to the Ord River irrigation area, which—if put only to sugar production—could produce about 1 million tons a year.

Sugar has been grown in Australia for nearly 200 years. Output grew at a compounded average rate of over 6 percent per year between 1970/71 and 1979/80. After reaching a peak of 3.3 million tons in 1977/78, output fell 10 percent to 3.0 million tons in 1979/80, recovered to some 3.2 million tons a year later, and is expected to rise to the 3.7-million level in 1981/82.

Most of the sugar produced commercially in Australia is from sugarcane grown only in the hot wet regions of Queensland and New South Wales, where precipitation exceeds 1 meter a year, but over a quarter of the sugar area requires irrigation. Cane is produced on about 350,000 hectares on about 9,000 farms. Heavy applications of fertilizer also are needed to provide the rich soils necessary for sugarcane growth.

On the average, Queensland growers get yields of about 12 tons of cane per hectare. But for the past 4 years, a test plantation in West Australia has been averaging yields of between 20 and 21 tons. The best result from the plantation has been 33 tons, believed to be a world record. The best Queensland result has been 18 tons per hectare.

Because of the high cost of labor, Australian sugarcane-growing operations are highly mechanized, compared with those of other world producers. For example, the Australians have developed a machine that plants sugarcane chunks, applies fungicide and fertilizer, and compacts the soil in one pass. At harvest, another machine cuts up to 64 tons of cane per hour, thereby eliminating hand cutting—one of the most disliked jobs connected with sugarcane production. The cut cane is then crushed and processed in one of the country's 33 mills.

In Queensland, all raw sugar is sold to the Central Sugar Cane Price Board, an arm of the state government. The board controls sugar production by area allotments and output quotas. Domestic prices are set each year by the board, but export prices are determined by the market. A second agent of the Queensland government, the Sugar Board, controls marketing.

For the first time in 16 years, the Queensland Price Board is allowing new growers to enter production. These new producers helped to swell 1980/81 production to the approximate 3.3-million-ton mark and exports to the 2.5-million-ton level.

Proceeds from foreign and domestic sugar sales are pooled and producers and processors receive a share of the pooled funds. Sugar consumption in Australia is relatively constant at some 750,000 tons in 1980/81, and 790,000 tons in 1981/82.

Until 1923, Australia was a net importer of sugar. But the direction of trade has reversed and Australia is now a net exporter.

Throughout the twenties, Australia's sugar exports grew rapidly and continued to climb even during the depression years. World War II brought a reversal, however, and in 1942/43 Australia's sugar shipments fell to one eighth the 1939/40 level. After the war, the upward movement again got underway and in 1953/54 the export total exceeded the pre-war record of 524,000 tons.

Still climbing, exports soon reached 700,000-800,000 tons and stayed on that plateau until 1962/63, when they shot past the 1-million-ton mark. In 1977, Australia's sugar exports surpassed 2.97 million tons, making it second only to Cuba (with exports of 6.24 million tons that year).

In recent years, Australia's sugar exports have fluctuated widely, falling to 2.3 million tons in 1979/80, but they are again expected to reach 2.9 million tons in 1981/82. During a recent 8-year period, Australia's sugar exports accounted for 9.6 percent of the sugar traded in world markets.

Australia sells its sugar principally to nine countries. Japan is by far the most important customer, receiving over one-fourth of Australia's sugar exports. However, the order of trade partners is changing.

Since the United Kingdom was integrated into the European Community in 1974, trade with that country has fallen to nil. Restrictions set under the International Sugar Agreement (ISA) have halved Australia's sugar trade with Canada and the United States between 1977/78 and 1978/79. As a result, Asia has become Australia's main sugar market.

The lineup of the nine major customers, based on average shipments between 1973/74 and 1978/79, were Japan, Canada, the United States, and Korea. Following in decreasing order were Malaysia, the United Kingdom, the People's Republic of China, New Zealand, and Singapore.

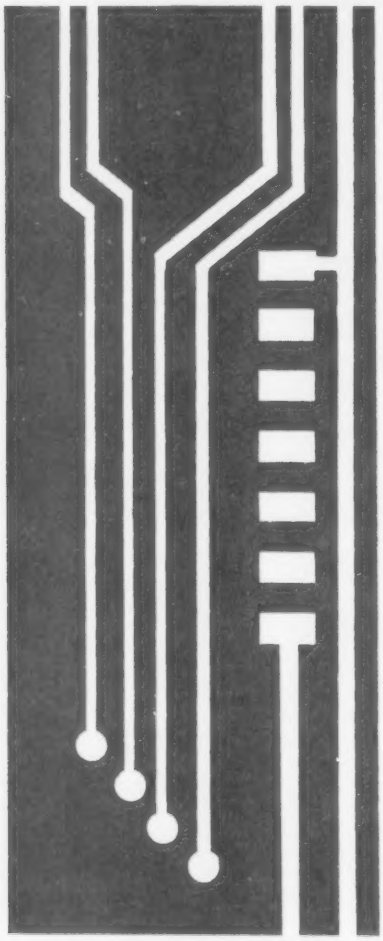
Australian sugar is meeting with strong competition from other sweeteners, particularly corn sweeteners. For example, Japan's sugar imports in 1980/81 are expected to drop to their lowest level in 14 years, principally because of the growing use of corn sweeteners and increased domestic sugarbeet production.

And in the United States, per capita consumption of refined sugar has dropped by more than 2 percent a year during the past 2 years, although, in the main, worldwide sugar use is still holding strong.

Under existing circumstances, there is a strong likelihood that Queensland will be able to expand its production of sugar in the next few years, even though economists disagree on the potential size of the rise. If the Ord River project becomes a reality, total Australian production will skyrocket.

But production of such magnitude will, undoubtedly create marketing problems. It is unlikely the domestic market will be able to absorb the proposed production. And already the export market is fully serviced. So the question to be answered is: "Where are the markets for this extra sugar?" And the answer must be found before the Ord River project can be a financial success. ■

New Computer System Provides Instant Link to World Developments



There is nothing particularly dramatic about the listing in the computer's log—it simply reads "Report 1102 received from U.K., 11:12 A.M., 07/01/81."

But the report's very presence in the computer bank marks a revolution in the way USDA gathers, analyzes, and communicates vital information about world agriculture.

"Nearly instantaneous transmission of information about world agriculture has long been a dream for everyone involved in international marketing," Richard A. Smith, administrator of the U.S. Department of Agriculture's Foreign Agricultural Service remarked as he viewed the transmission of the first report via a minicomputer/telecommunications hookup from USDA's agricultural counselor in London to FAS headquarters in Washington. "Now it is a reality."

The report from London flagged the fact that grain production in the United Kingdom was likely to show a sizable increase this year over last. For U.S. agriculture, that could suggest a drop-off in exports unless something else was happening somewhere else in the world to stimulate demand.

"Today's farmers have an urgent need to know the bottom line of what's going on in the world's agriculture," Smith stressed. "What happens this morning in London or Brazil can have a big impact on prices this afternoon in Manhattan, Kansas, or Decatur, Illinois."

It is for that reason that USDA and the State Department have devoted much time in the past year to the development of an information system that will allow USDA's agricultural representatives around the world to quickly transmit production, trade, and marketing information to Washington.

The information system, termed the Global Economic Data Exchange System (GEDES), will eventually link all of USDA's agricultural counselors and attaches at embassies overseas to FAS analysts in Washington. The London embassy is the first of as many as seven overseas posts scheduled to be linked to the system this year. By 1985, all of USDA's 67 agricultural counselors and attaches abroad should be connected.

"With GEDES, any agricultural development of significance to U.S. farmers or consumers can be known and analyzed within a matter of hours," Smith said. "Data which come in from our counselors or attaches—for example, reports of a freeze in the coffee growing areas of Colombia or an infestation of cottonleaf worms in Egypt's cotton crop—can be entered into our computerized data base so that every day we have an up-to-date picture of global supply and demand."

Smith and Thomas Tracy, Assistant Secretary of State for Administration, were both present when the first report transmitted on the new system was printed out in Washington in early July. The State Department is cooperating with USDA in the project by supplying the minicomputers and telecommunications equipment that will be installed in the U.S. embassies.

"GEDES is a two-way communications system," Smith said, "which means that USDA's representatives overseas can also get needed information faster."

He noted that agricultural representatives overseas are also able to request significant reports directly from FAS's Crop Condition Assessment Division in Houston, which uses satellite imagery to monitor worldwide crop developments. "If an attache or counselor were concerned about drought, he or she might ask Houston to pinpoint the areas that need to be monitored closely."

"GEDES is going to be a big asset to the United States in its export efforts in the future," Smith stated. "In international marketing, as in domestic sales, the seller with the better information has a competitive edge. GEDES will give U.S. agricultural exporters a commanding vantage point of the international market." ■

Trade Briefs

Syria Places Import Ban on Some Nonessential Items

In an effort to stem the outflow of foreign exchange by curtailing imports of nonessential items and reducing the private sector's import role, the Syrian Government has placed import restrictions on several agricultural items, including seeds, nuts, and cigarettes. The Government now prohibits the private sector from importing certain commodities, such as fish, cheese, and some industrial items. Cigarettes and nuts are the major U.S. agricultural commodities affected by the June decree. Cigarettes are among the leading U.S. farm exports to Syria, with exports last year totaling $7.7 million. In addition, about $1 million of U.S. edible nuts are affected by the ban. However, other important U.S. farm exports to Syria, such as rice, corn, sugar, and soybean meal, are not affected by the import crackdown.

American Foods Attract Buyers at Nagasaki Exhibit

The American Food Exhibit at Nagasaki attracted 656 registered buyers, representing supermarkets, department stores, food processors/manufacturers, wholesalers and distributors, and hotels and restaurants in Japan. The 2-day exhibit in early July rang up floor sales of $50,000 and generated $2.2 million in projected sales for the next 12 months. Sales figures indicated that canned fruits and vegetables, peanut butter, mayonnaise, hot sauces, papayas, raisins, prunes, soy-based potato flour, soy milk, and processed turkey items were among the most popular items for Japanese buyers. Other highlights were: some 91 new-to-market products, 75 new business relationships, and the appointment of 46 wholesalers/distributors for U.S. firms.

Italy Applies "Deposit" Rule On All Farm Imports Except Wheat

Italy has instituted a 30-percent deposit requirement on foreign currency purchases to be used for imports of goods and services. The measure, effective May 28 and expiring October 1, applies to all agricultural imports, except wheat. The net impact of the requirement will be to raise the price of imported products by almost 2 percent. The resulting increased cost of feedgrains, other than wheat, comes at a time when the Italian livestock industry is relying primarily on imported grains because domestic supplies are exhausted. The meat industry can be expected to suffer, with imports of live animals for fattening declining during the next few months.

California Wines Pass Taste Test Among Canadians

Some 83 varieties of wines from 23 California wineries were featured at a wine fair held by the Society of American Wines in Ottawa on June 20. The large selection of California wines for tasting drew favorable comments from the more than 200 paying guests. Also on hand were 43 winery representatives and local agents plus other guests, including the media. The program provided a brief description of each wine and a space for writing in "tasting" notes. Membership in the society has now increased to 193, indicating a growing interest in California wines among Canadians.

France's Farm Trade Continues As Bright Spot in Country's Overall Trade Picture

Agricultural trade continues to be one of the bright spots in France's trade picture as exports rose to 23.6 billion francs in the first quarter of 1981, up nearly 30 percent from the comparable 1980 period. Both higher unit values and larger volumes were responsible for the gain. Meanwhile, France's agricultural trade surplus of nearly 7 billion francs for the quarter more than doubled the year-earlier level. Overall, though, France's total trade deficit for the quarter stood at 27.4 billion francs, about 3 percent less than the one for the same 1980 period. On the import side, France's farm import bill rose almost 10 percent from the year-earlier level. The most significant reduction occurred in imports of oilseeds, which were down about one-third, reflecting a trend that started in the second half of 1980 following unusually large import volumes during the first half of the year. Although French imports of oilseed cake and meal declined only slightly, imports of U.S. soybean meal dropped drastically as those from Brazil captured a bigger share of the French market.

India, USSR Wrap Up Third Barter Agreement

The third Indo/Soviet foodstuffs-for-oil barter agreement, signed in May, calls for 500,000 tons of Indian rice, among other agricultural commodities, to be supplied during 1981/82 in exchange for Soviet oil and petroleum products. Under the previous agreement of June 1980, India also agreed to provide 500,000 tons of rice, including 125,000 tons of Basmati. To date, unpublished official estimates indicate that a total of 465,000 tons of the 1980 agreement have actually been shipped. The first Indo/Soviet agreement was signed in April 1979 and called for 200,000 tons of Indian rice in exchange for Soviet crude oil. Shipments were completed in March 1980.

World Food Security: International Organizations Focus on Continuing Concern

By Martin Kriesberg and Allen Prindle

All the progress made in boosting production and distribution of farm products has failed to erase the specter that hunger and malnutrition may become an overwhelming international problem. To ward off this possibility—and deal with existing food shortages—international organizations increasingly are focusing on the subject commonly referred to as world food security.

Food security was, for instance, a major agenda item at the May 1981 ministerial session of the World Food Council (WFC) in Yugoslavia. U.S. Secretary of Agriculture John R. Block, in addressing the assembled ministers, indicated that the Unites States contributes to world food security through an agricultural policy that "emphasizes production for export and an open market system providing full access to foreign buyers."

Block called for other countries, including developing nations, to establish their own national reserve policies as a means for increasing their food security. He also said that U.S. development assistance contributed to food security by helping provide the economic underpinning for purchasing needed agricultural imports.

Most of the 40 ministers of agriculture attending the session agreed that there was enough technical knowledge available to increase agricultural productivity.

There was substantial agreement that world food security requires increased food production and expanded purchasing power in low-income, food-deficit countries. But beyond that there was a wide range of opinions on what the international community could do to

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overcome the problems. The policy options generally fall into five categories:

- **Increasing food production and improving distribution.** This may include increased production incentives, transfer and adoption of improved technology, or postharvest loss reduction. Such efforts are especially important for the long-term food needs of low-income, food-deficit countries.

- **Increased access to food imports.** Imports for a portion of a country's food needs through commercial trade channels are a normal and acceptable means of increasing food supplies and food security if the country has enough earnings from the goods it exports, loans from donor countries or international lending institutions, or other income sources.

- **Food aid.** The receipt of food supplies either free or at a reduced cost for domestic use from donor countries or international organizations is usually seen as temporary and designated to meet emergency situations.

- **Grain reserves or grain stabilization schemes.** Grain is accumulated in years of relative surplus and released in years of shortage under some operating procedures. The reserves may be managed by importing or exporting nations, or both, or by agreement through an international organization, such as the International Wheat Council.

- **Other policy options.** These may include programs to improve marketing systems, communications about food crop prospects, or consultations among countries, perhaps under auspices of an international organization.

Food insecurity results primarily from poverty. People with inadequate income, even in developed countries, have difficulty obtaining an adequate level of nutrient intake.

Since the causes of insecurity vary for different countries, solutions to food security problems must be country-specific. World food security is improved when conditions become better for individual countries and when collective or mutually supportive actions are taken by a group of countries (often under auspices of an international organization).

While the WFC's ministerial session was a recent effort to create the understanding and political will to advance world food security, other international organizations are also currently engaged in various aspects of this effort.

For instance, the Food and Agricultural Organization (FAO) of the United Nations has been providing early warning information about crop conditions, plus training and technical assistance to encourage a larger flow of resources to agricultural sectors of developing countries. Block probably will participate in FAO's Governing Conference in November 1981.

Shortly afterwards, the United States will participate in the Governing Council of the International Fund for Agricultural Development (IFAD), a new U.N. agency created specifically to provide additional resources for food and agriculture projects in low-income, food-deficit countries.

The United States and other member countries of the World Bank have recently agreed on new fundings for its operation—capital subscriptions and concessional lending. More than a third of all the World Bank's resources go to food, agriculture, and rural development projects. The Bank is helping finance many new grain storage facilities to strengthen food reserves and security systems in developing countries.

Other U.N. organizations involved in some aspects of improving food production, distribution, and consumption, include the United Nations Environment Program (UNEP), which seeks to improve conservation of land and water resources to assure continuing cropping capability; and United Nations Children's Fund (UNICEF), concerned with improving nutrition for infants and children. The Consultative Group for International Agricultural Research (CGIAR) is concerned with agricultural research.

Efforts by the International Wheat Council (IWC) are focused primarily on wheat trade and reserves.

The World Food Program (WFP) focuses on improving food security by providing food aid in emergencies.

Much is being done. But the problem of food security continues to tug at our conscience and also at our purses. The United States, meanwhile, continues as the principal keeper of the world's granary by virtue of the vast productive capacity of its farms and food systems. ■

Country Briefs

India

Makes First Purchases of U.S. Wheat in 4 Years

India has resumed large-scale purchases of U.S. wheat for the first time since 1977 because of growing domestic consumption and lower-than-targeted levels of Government procurement. India's purchases of about 1.5 million tons of U.S. wheat—made during the first 2 weeks of July—include 1,015,000 tons of Western White and 500,000 tons of Hard Red Winter wheats.

Based on the size of these recent purchases of U.S. wheat, it appears that India's wheat imports from all countries during 1980/81 (July-June) will exceed the 2-3 million tons forecast in June by USDA. The actual level of imports will depend heavily on the extent to which the Indian Government has committed itself to rebuilding stocks.

There has been a steady decline in government stock levels over the past few years because of the rising consumption and shortfall in domestic procurement. However, India recently harvested a relatively large wheat crop of 34.0 million tons, compared with 31.6 million in 1980/81. India has not suffered a serious setback in its wheat crop for several years.

Prospects for India's all-important autumn crop of rice and coarse grains this year are good because of the favorable progress of the summer monsoon. USDA currently expects India's autumn crop to be normal or above-normal in size.

Japan

U.S.-Japan Tobacco Pact Aids Market for Manufactures

The U.S.-Japan Tobacco Agreement has helped open the Japanese market to larger imports of U.S. tobacco products. The United States is Japan's top source of leaf and manufactures, however, U.S. tobacco is facing strong competition from other suppliers.

As a result of the agreement, tariffs on imported manufactured tobacco were reduced, resulting in lower retail prices for most tobacco products imported from the United States and other suppliers. These include several brands of U.S. cigarettes, pipe tobaccos, and cigars. The agreement was concluded in November 1980 and implemented by legislation passed by the Japanese Diet in March 1981.

Certain nontariff barriers also are being eliminated as a result of the agreement. Non-Japanese firms will be allowed to advertise in the Japanese media and the number of outlets carrying imported cigarettes will be boosted from 14,200 to 20,000 by the end of 1981. Also, requirements governing the testing of new brands have been liberalized.

In the future, the Japan Tobacco and Salt Corporation (JTS) will begin to sell new brands of imported tobacco products on a regular basis if their sales exceed given quantities during the test period. Products may be tested for 6 months, 1 year, or for 2 years, depending on circumstances.

Japanese importers are complaining about what they perceive to be a decline in the quality of U.S. leaf in recent years, and it is believed that a continuation of this belief could result in a reduction in the U.S. share of the Japanese tobacco import market. Competition between U.S. tobacco and that of other suppliers may also increase if quality of the non-American leaf improves.

Already, there is a belief among Japanese importers that the quality of burley from Malawi and Mexico is approaching that of U.S. burley. It is possible that lower prices for these foreign burleys may bring about a substitution of burley from third countries for U.S. burley. In the case of flue-cured tobacco, however, it has been more difficult for Japan to find substitutes for U.S. tobacco.

The cigarette blends now being produced by JTS consist of one-third imported and two-thirds domestic tobacco. At the present time, the United States supplies about 55 percent of Japan's imported leaf. However, JTS officials are considering the use in their blends of leaf from Zimbabwe as a possible alternative for U.S. flue-cured tobacco. Siz-

able imports from the African country are unlikely until Zimbabwe's political situation stabilizes. JTS probably would not run the risk of switching to Zimbabwean tobacco only to have its supplies cut off by some future conflict.

In Japanese fiscal year 1980, the United States provided 79 percent of Japan's flue-cured leaf imports of 41,494 metric tons. The U.S. share is projected to remain the same in fiscal 1981, although the total is expected to rise to 43,600 tons. The United States also supplied 41 percent of Japan's burley imports of 14,388 tons in fiscal 1980. In fiscal 1981, the total is projected at 15,700 tons and the U.S. share at 45 percent.—*Based on a report by Dudley G. Williams, U.S. Agricultural Counselor. Tokyo.*

Canada

Positive Pork Trade Balance With U.S. Expected To Widen Through Early 1982

During the past 2 years, Canada has regained the position as a net pork exporter to the United States and is expected to retained this status through 1981 and early 1982. Last year, Canada's total exports of pork jumped 54 percent to 115,000 metric tons, including 91,000 tons shipped to the United States.

Largely because of a divergence in the hog cycles for the two countries, more Canadian pork will be available for export through at least early 1982—a period when U.S. pork production will be declining while prices are expected to be strong. This, together with a stronger U.S. dollar, will make Canadian pork less expensive vis-a-vis U.S. pork, thus practically assuring an even larger pork trade surplus for the Canadians.

Canada's main trading partner is the United States and pork generally flows both ways across the border. Between 1970 and 1974, Canada was a net exporter to the United States, averaging a net trade surplus of 16,500 tons per year. During 1975-79, the trade balance favored the United States—averaging 38,400 tons. In 1979 and 1980, Canada again became a net exporter, with positive trade balance of 23,000 and 76,000 tons, respectively.

The growth in pork exports results from an unusually long and vigorous expansionary phase in Canada's hog cycle. During this phase, hog numbers in the United States increased 36 percent over a 4-year period, but in Canada, the expansion lasted 2 years longer, with numbers increasing 55 percent.

The 1980 cost/price squeeze for producers brought an end to expansion in the United States, but only slowed the growth in Canada. The 1981 spring inventory of all pigs on Canadian farms was slightly larger than in 1980, but the U.S. inventory was down 9 percent from the previous year's. Inventories of breeding stock declined about 10 percent in the United States, while remaining unchanged in Canada. Similarly, Canadian producers' farrowing intentions through mid-1981 increased by more than 2 percent while those in the United States were down about 10 percent.

There are several reasons why hog numbers have not begun to shrink in Canada as they have in the United States. The Canadian Government operates a stop-loss program designed to help producers avoid large losses when production is too high and prices fall below 90 percent of a 5-year average (adjusted for increases in production costs). In 1980, producers eligible for these payments received $8.96 per marketed pig. In addition, many benefit from various provincial investments, price supports, and stop-loss subsidies. Both the federal and provincial programs tend to delay producer adjustments to depressed market conditions.

A second factor possibly preventing a decline in Canada's hog production is industry nervousness that supply/management programs may be put into effect. Producers may be trying to keep output high in anticipation of production or marketing quotas.

Another possible reason for the differences in farrowing intentions in the two countries is that Canadian producers may have responded to the results of the U.S. survey on farrowing intentions—conducted a month earlier—by concluding that now is the time to stick to hogs.—*Ron Trostle, International Economics Division, ERS.*

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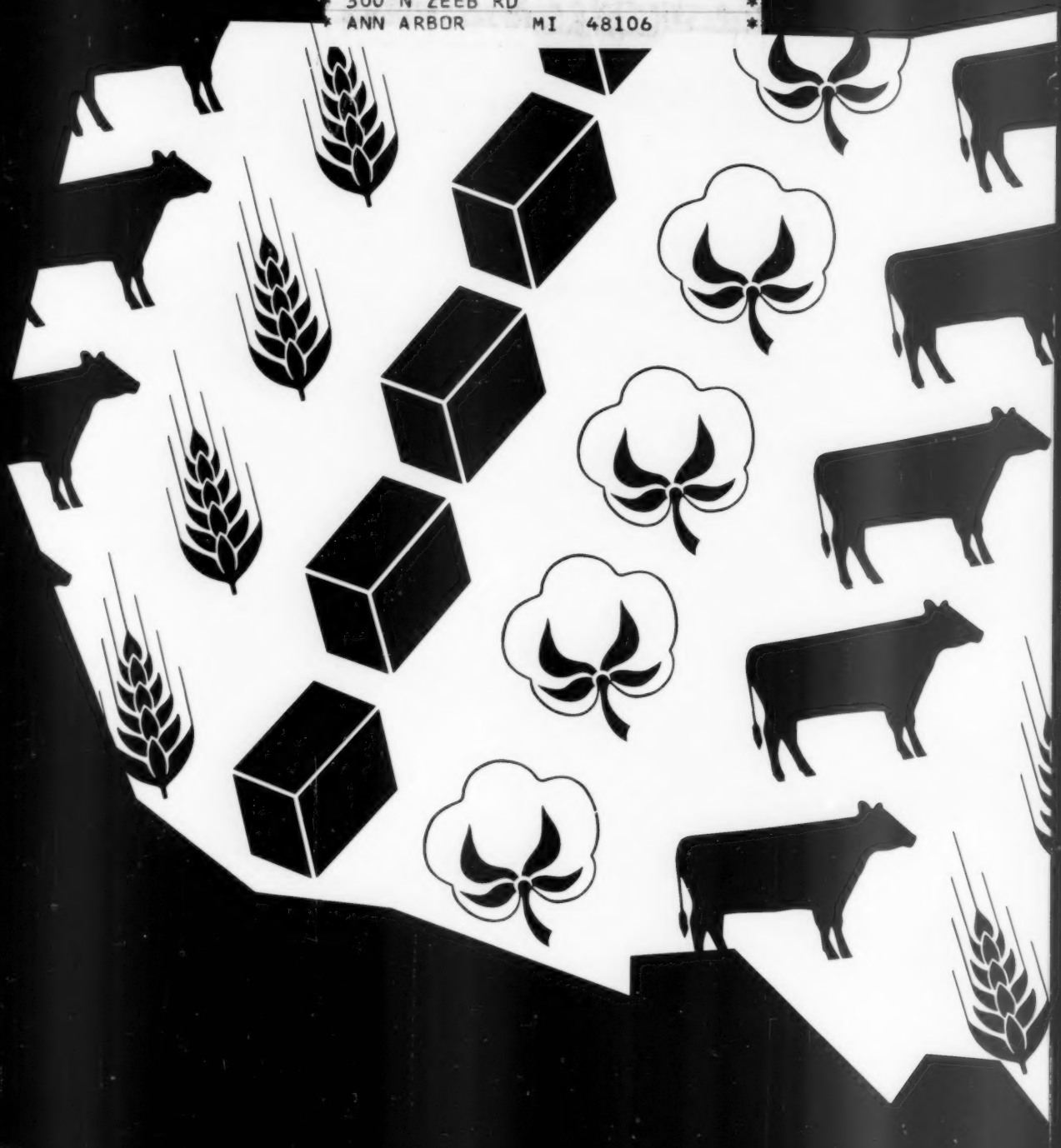
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